

UNITED STATES OF AMERICA
Before The
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

Postal Rate and Fee Changes, 2000)

Docket No. R2000-1

OFFICE OF THE CONSUMER ADVOCATE
INTERROGATORIES TO UNITED STATES POSTAL SERVICE
WITNESS: VIRGINIA J. MAYES (OCA/USPS-T32-1-7)
February 1, 2000

Pursuant to sections 25 and 26 of the Rules of Practice of the Postal Rate Commission, the Office of the Consumer Advocate hereby submits interrogatories and requests for production of documents. Instructions included with OCA interrogatories OCA/USPS-1-14 dated January 24, 2000, are hereby incorporated by reference.

Respectfully submitted,



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OCA/USPS-T32-1. Please refer to page 19, lines 19-21, of USPS-T-32. There you state, "Movement toward or away from Ramsey prices was considered in the development of the rate level proposals in this case but did not significantly affect conclusions."

- (a) Do your rate levels for First Class letters and Standard (A) Regular reflect movement toward or away from Ramsey prices? Please explain the basis for your answer.
- (b) To what extent did Ramsey prices influence your choice of rate levels for First Class letters and Standard (A) Regular.

OCA/USPS-T32-2. Please refer to your exhibit USPS-32B and to R97-1 exhibit USPS-30B (rev. 9/19/97).

- (a) Please confirm that in R97-1, Postal Service witness O'Hara implicitly proposed a markup index of 1.275 for First Class Total Letters ($100.02/78.42 = 1.275$). If you do not confirm, please provide the correct markup index and show its derivation.
- (b) Please confirm that in R2000-1, you have implicitly proposed a markup index of 1.416 for First Class Total Letters ($96.3/68.0 = 1.416$). If you do not confirm, please provide the correct markup index and show its derivation.

OCA/USPS-T32-3. Please refer to exhibit USPS-33B and to R97-1 exhibit USPS-32B (rev. 10/1/97).

- (a) Please confirm that in R97-1, the test year unit attributable cost for First Class letters was \$0.1763 ($\$0.351799/1.9954$) under the Postal Service's proposed rates and costing methodology. If you do not confirm, please provide the correct unit attributable cost and show its derivation.

- (b) Please confirm that in R2000-1, the test year unit attributable cost for First Class letters is \$0.1848 ($\$0.362829/1.963$) under the Postal Service's proposed rates and costing methodology. If you do not confirm, please provide the correct unit attributable cost and show its derivation.
- (c) Please confirm that applying witness O'Hara's implicit R97-1 markup index of 1.275 to the R2000-1 unit attributable cost for First Class letters of \$0.1848 yields an average revenue per piece of \$0.345022 ($\$0.1848 \times ((1.275 \times 0.68) + 1)$). If you do not confirm, please provide the correct average revenue per piece and show its derivation.
- (d) Please confirm that \$0.345022 is six mills less than the average revenue per piece for First Class letters proposed by the Postal Service in R97-1. If you do not confirm, please explain.

OCA/USPS-T32-4. Please refer to pages 20-23 of your testimony and to pages 22-25 of USPS-T-30 in R97-1. Other than the increase in the implicit markup index for First Class letters that you have proposed, the OCA is unable to perceive any material difference between your R2000-1 testimony and witness O'Hara's R97-1 testimony. Please explain why your testimony justifies a markup index for First Class letters of 1.416 instead of 1.275.

OCA/USPS-T32-5. Please refer to your exhibit USPS-32B and to R97-1 exhibit USPS-30B (rev. 9/19/97).

- (a) Please confirm that in R97-1, Postal Service witness O'Hara proposed that First Class Total Letters bear 62 percent ($\$16,809,020/\$27,043,982$) of institutional

costs. If you do not confirm, please provide the correct proportion and show its derivation.

- (b) Please confirm that in R2000-1, you have proposed that First Class Total Letters bear 64 percent ($\$17,774,380/\$27,801,806$) of institutional costs. If you do not confirm, please provide the correct proportion and show its derivation.
- (c) Please explain why you have proposed to increase the share of institutional costs borne by First Class letters.

OCA/USPS-T32-6. Please confirm the following properties of a markup index. If you do not confirm, please provide a mathematical demonstration of the contrary.

- (a) The markup index for a subclass of mail is directly proportional to the relative portion of institutional costs borne by that subclass.
- (b) The markup index for a subclass of mail is inversely proportional to the relative portion of attributable costs borne by that subclass.
- (c) Simultaneously increasing the institutional share *and* decreasing the attributable share of costs borne by a subclass will unambiguously cause the markup index for that subclass to increase.

OCA/USPS-T32-7. Please refer to page 21, line 18, through page 22, line 4, of your testimony. You state that your "proposed modest increase [in the First Class letter rate] . . . reflects the concern of the Postal Service about emerging alternatives [to First Class letters]" Please explain how increasing the share of institutional costs borne by First Class letters "reflects the concern of the Postal Service about emerging alternatives."

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the rules of practice.

Stephanie Wallace

Washington, D.C. 20268-0001
February 1, 2000